

Message Text

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AMCONSUL TORONTO

UNCLAS MONTREAL 835

E.O. 11652: NA
TAGS: ECON, PINT, CA
SUBJECT: POLICYHOLDERS APPROVE SUN LIFE MOVE

REF: MONTREAL 43; MONTREAL 88

1. TO SURPRISE OF NO ONE, SUN LIFE POLICYHOLDERS VOTED YESTERDAY TO SUPPORT MANAGEMENT'S PROPOSAL THAT SUN LIFE MOVE ITS HEAD OFFICE FROM MONTREAL TO TORONTO. WITH 391,631 POLICYHOLDERS VOTING, VOTE WAS 84 PERCENT IN FAVOR OF MOVE. MANAGEMENT OF SUN LIFE STRESSED THAT VOTE APPROVED A LEGAL, "PAPER" MOVE ONLY, AND THAT DECISIONS ON EXTENT OF ACTUAL PHYSICAL MOVE WERE STILL TO BE MADE.

2. PRESS ACCOUNTS INDICATE THAT MEETING WAS BOISTEROUS, WITH DISSIDENT POLICYHOLDERS CRITICIZING COMPANY FOR PUTTING BUSINESS INTERESTS AHEAD OF NATIONAL INTERESTS, WHILE POLICYHOLDERS FAVORING MOVE ARGUED THAT RESPONSIBILITY OF MANAGEMENT WAS TO PROTECT BUSINESS INTEREST OF CORPORATION. FEDERAL GOVERNMENT, WHICH HOLDS SEVERAL SUN LIFE POLICIES, VOTED WITH THOSE OPPOSING MOVE. DURING MEETING, SUN LIFE PRESIDENT REPORTED THAT LIFE INSURANCE SALES IN QUEBEC HAD DECLINED BY ABOUT A THIRD SINCE ANNOUNCEMENT OF INTENTION TO MOVE IN JANUARY. DECLINE WAS OFFSET, HE
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NOTED, TO SOME EXTENT BY INCREASED SALES IN REST OF CANADA AND IN FOREIGN MARKETS.

3. IN RESPONSE TO QUESTION IN HOUSE OF COMMONS, PRIME MINISTER TRUDEAU SAID THAT FEDERAL GOVERNMENT HAD NO LEGAL RIGHT TO BLOCK TRANSFER OF HEAD OFFICE AND THAT IT WAS NOT INCLINATION OF GOVERNMENT TO FORCE SHAREHOLDERS OF A PRIVATE COMPANY TO DO ANYTHING

THEY DON'T WANT TO DO. FINANCE MINISTER CHRETIEN SAID THAT HE WAS DISAPPOINTED, BUT NOT SURPRISED, BY VOTE, WHICH HE SAW AS NOT SERVING BEST INTERESTS OF CANADA. SUN LIFE, HE SAID, COULD PROBABLY HAVE SURVIVED ANOTHER TWO YEARS IN MONTREAL. NEW QUEBEC LIBERAL LEADER CLAUDE RYAN SAID THAT HE DEPLORED DECISION BY SUN LIFE TO MOVE, BUT THAT HE HAD NO PLANS TO TAKE ANY ACTION TO PREVENT MOVE.

4. COMMENT: WHILE PAPERS GAVE WIDE COVERAGE TO SUN LIFE STORY, REACTION WAS MUTED AS PEOPLE HAVE ASSUMED SINCE ANNOUNCEMENT IN JANUARY THAT POLICYHOLDERS WOULD BACK MANAGEMENT. NEXT STEP WILL BE HOW SUN LIFE CHOOSES TO IMPLEMENT MOVE. AS REPORTED REF B, SUN LIFE HAS PREVIOUSLY SAID THAT IT WOULD FOLLOW QUEBEC SITUATION CLOSELY DURING TWO YEAR PERIOD AND THAT IF CONDITIONS SHOW IMPROVEMENT, PARTICULARLY IN FIELD OF LANGUAGE POLICY, COMPANY WOULD NOT PLAN TO MOVE AS MANY PEOPLE. IN THIS CONNECTION, RECENT INDICATIONS THAT GOVERNMENT MAY BE WILLING TO MODIFY SIGNIFICANTLY ITS LANGUAGE REQUIREMENTS FOR HEAD OFFICES CAN BE TAKEN AS ENCOURAGING SIGN. BUT WHILE TIE TO LANGUAGE POLICY HAS BEEN ACCEPTED BY SOME, THERE ARE OTHERS WHO ARE CONVINCED THAT REAL REASON FOR SUN LIFE'S DECISION TO MOVE RELATES MOVE DIRECTLY TO FINANCIAL MANAGEMENT AND COMPETITIVE CONCERNS, AS PUBLIC CONCERN ABOUT IMPLICATIONS OF HEAD OFFICE LOCATION IN QUEBEC AND CONTINUOUS PRESSURE FROM PROVINCIAL GOVERNMENT TO INFLUENCE PORTFOLIO COMPOSITION DOES NOT PERMIT SUN LIFE TO MAXIMIZE ITS OPPORTUNITIES, COMPARED TO FIRMS LOCATED OUTSIDE QUEBEC.

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